

## **OVERVIEW**

This section describes the City of Detroit governmental structure, financial procedures, budget development process, and long-term operational and financial policies, and it highlights recommended items in the 2006-07 budget.

### **GOVERNMENTAL STRUCTURE**

Pursuant to the provisions of the State Constitution, Detroit is a home rule city with significant independent powers. In accordance with the Charter, the governance of the City is organized in two branches: the executive branch, which is headed by the Mayor, and the legislative branch, which is composed of the City Council and its agencies. The Charter also provides for an independent City Clerk who serves as Clerk to the Council and Chairperson to the Elections Commission. The Mayor, City Council members and the Clerk are elected every four years. The next regular election for these positions will be in November 2009. There is no limit to the number of terms that may be served by elected officials.

The Charter provides that the voters of the City reserve the power to enact City ordinances by initiative, and to nullify ordinances enacted by the City by referendum. However, these powers do not extend to the budget or any ordinance for the appropriation of money, and the referendum power does not extend to any emergency ordinance. A Charter Revision Commission established by the City electorate in the November 1993 general election issued recommendations which the City electorate approved in the August 1996 State primary election, to take effect January 1, 1997. Most provisions of the 1974 Charter were

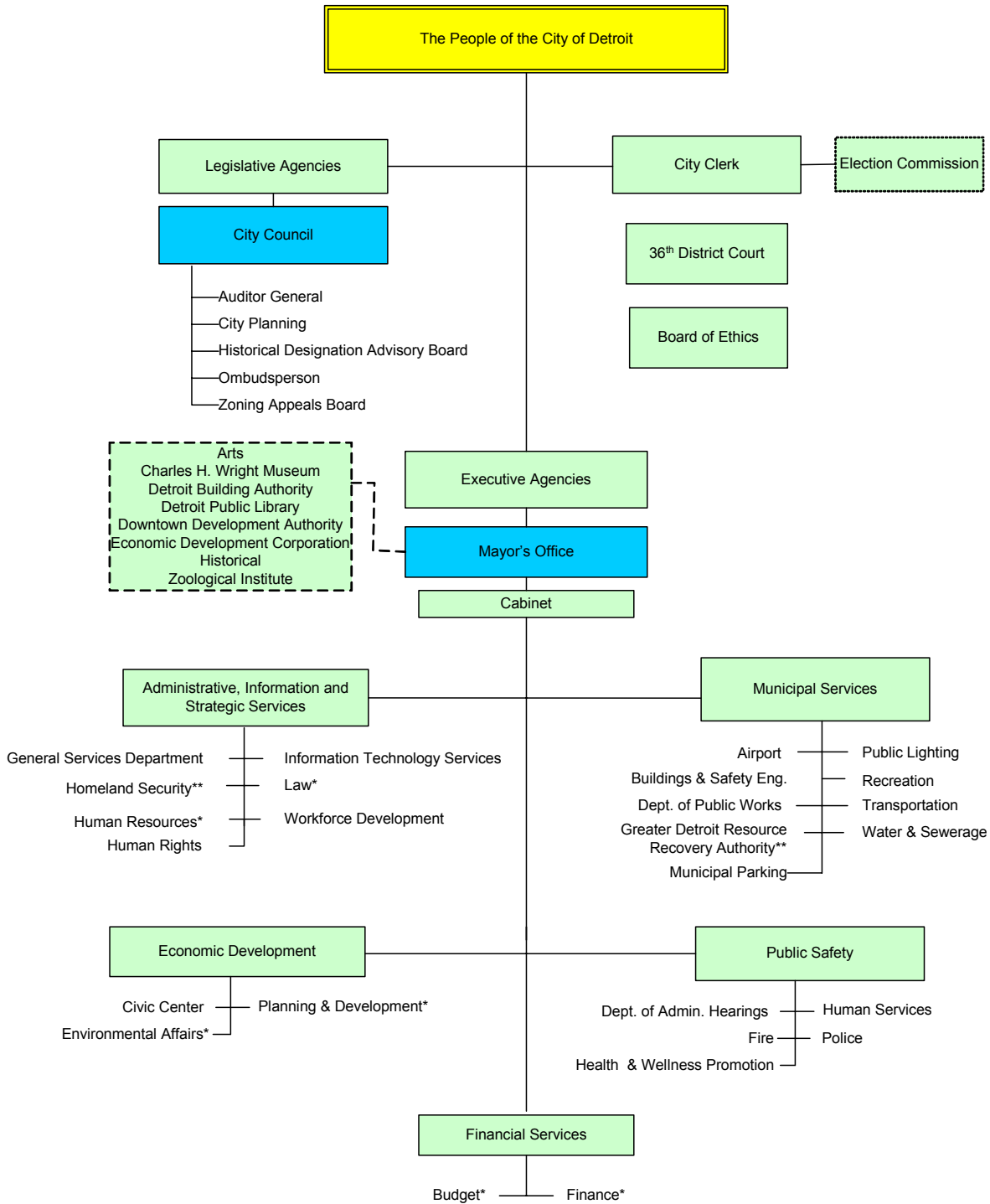
carried forward into the new charter. Some significant changes included establishing a process by which traditional City-provided services may be contracted to non-public entities; a requirement to hold public hearings on budgetary matters prior to the initiation of the Budget process; changes to the appointment process of certain managerial positions; and designation of the Environmental Affairs Department as a Charter-mandated staff department.

The Mayor, as chief executive of the City, has control of and is accountable for the executive branch of City government. The Charter grants the Mayor broad managerial powers, including appointment of most department directors and deputy directors. The Mayor has an office of staff.

The Charter delegates solely to the executive branch the responsibility for implementation of most programs, services and activities. An Executive Organization Plan (EOP) must be on file setting forth all agencies of the executive branch and assigning authorized programs, services and activities to each, including the six staff departments (in Article 6), six operating departments and a variety of other specified functions (in Article 7). The Mayor initiates changes to the EOP through an amendment process.

The proposed FY 2006-07 EOP calls for 28 operating and staff departments, including: Police, Fire (including emergency medical service), Environmental Affairs, Public Lighting, Public Works, Health and Wellness Promotion, Recreation, Transportation, and Water and Sewerage.

Organization of City Departments, proposed for FY 2006-07



\* Charter-mandated staff department  
 \*\* Does not have departmental status

## OVERVIEW

Water and Sewerage Department policies are set by a Board of Commissioners. Early in 2000, a judge appointed the Mayor Special Administrator of the Wastewater Treatment Plant to prevent recurrent environmental noncompliance. This status was removed in January 2006.

The City's three cultural departments administer facilities through operating agreements with non-profit corporations. The Detroit Institute of Arts is administered by the Founders' Society and effective March 2006, the Detroit Zoological Institute facilities are administered by The Detroit Zoological Society and the Detroit Historical Museum by the Detroit Historical Society.

The City administers a number of social assistance programs through its Human Services, Workforce Development and Recreation Departments. Generally, these programs are funded from the Federal or State of Michigan grants or from funds received from the private sector.

There are also seven independent agencies with service delivery responsibilities in the EOP and four local authorities with a direct financial relationship to the City.

Financial operations of the City are carried out through the appointed positions of Finance Director and Budget Director. The Finance Director is the Chief Financial Officer of the City overseeing most financial functions of the City, including coordinating financial activities, collecting and disbursing funds, directing accounting procedures, purchasing goods and services and the assessing of property in the City. The Budget Director is responsible for the development of program and service objectives, controlling and supervising the expenditure of funds, long term financial planning, and

for assisting the Mayor in the preparation of the City's annual budget and long-term capital agenda.

The City Council, composed of nine members elected at large for 4-year terms, is the City's legislative body. The City Council has the power to override the Mayor's veto with a two-thirds majority vote of its members. Agencies that aid the City Council in its duties are described below.

The Auditor General is appointed for a term of 10 years by a majority of City Council members serving and may be removed for cause by a two-thirds majority vote. Any person who has held the position of Auditor General is not eligible for reappointment. By Charter, the major duty of the Auditor General is to audit the financial transactions of all City agencies; however since 1980 the City has retained independent accounting firms to perform that function. State law requires annual audits, although by Charter, internal audits are required only every 2 years. The Auditor General may investigate the administration and operation of any City agency and prepares various reports, including an annual analysis for the City Council of the Mayor's proposed budget.

The Ombudsperson is appointed for a term of 10 years by a two-thirds majority of City Council members for the purpose of investigating any official act of any agency (except elected officers) which aggrieves any person.

The City Planning Commission, consisting of nine members appointed by the City Council for 3-year terms, advises the City Council on such matters as the annual capital budget, certain development or renewal projects and proposals for the demolition, disposition or relinquishment of, or

## **OVERVIEW**

encroachment upon, public real property or public interests in real property.

The City is responsible for the financial and administrative affairs relating to the 36<sup>th</sup> District Court, Michigan's largest limited jurisdiction court, handling over 450,000 criminal, traffic, civil and parking cases filed in the City each year.

Local School Boards are separate local jurisdictions in Michigan. The district is governed by an elected school board.

In 2001, the City Administration notified City Council of its intention that the Detroit Housing Commission would begin acting as a public body pursuant to State law, effective September 21, 2001.

### **FINANCIAL PROCEDURES**

The City's accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The accounting and financial reporting policies of the City conform to generally accepted accounting principals (GAAP) and reporting standards as promulgated by the Governmental Accounting Standards Boards (GASB). Each department and agency receives financial information along appropriation, organization, program and project lines, but in an integrated environment. This information is used to allocate financial resources and to control actual expenditures in relation to the amended budget. In addition, historical information from these reports can be used for analysis and preparation of the annual financial report.

The City utilizes the Detroit Resource Management System (DRMS) to record and process financial information. For example, DRMS is now being used to conduct

business for all of the City's "core" financials (purchasing, accounts payable, accounts receivable and general ledger), as well as to track applicants for employment and for budget processes.

### **Basis of Accounting**

The City's financial statements are prepared in conformity with generally accepted accounting principles. "Basis of accounting" refers to the point at which revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Except for the City's Enterprise Funds and Pension Funds (which are accounted for on the accrual basis), the City's funds and accounts are maintained and reported on the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the City considers revenues to be available if they are collected within 60 days from the end of the current fiscal year, except for grants and trade receivables, which are 180 and 90 days, respectively. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Significant revenue sources which are susceptible to accrual include property taxes, income taxes, utility taxes, and

## OVERVIEW

interest. All other revenue sources are considered to be measurable and available only when cash is received.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statement to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### **Basis of Budgeting**

The Budget is prepared on essentially the same principles as the accounting system. The General Fund is budgeted on a modified accrual basis and enterprise funds on the accrual basis. The major differences between the budgeting and accounting basis are: 1) encumbrances are recorded as expenditures (budget basis) rather than as a reservation of fund balance (accounting basis); 2) compensated absences (accrued but unused leave) are not reflected in the budget; 3) depreciation expense is not included in the budget basis. The Charter requires that the Budget is based on Programs, and budget appropriations for the most part reflect programs, except that overhead costs of activities are not apportioned in allocations.

### **Fund Balance**

The fund balances of the General, Special Revenue and Capital Projects Funds have been classified to reflect certain limitations and restrictions. Reserves for Inventories are equal to the amount of the inventories and signify that such assets are not presently

available for appropriation and expenditure. While the City is not required to carry unliquidated encumbrances past the end of the fiscal year, it sets aside, within each respective fund balance, an amount equal to the unliquidated encumbrances that the City wishes to carry forward. In the succeeding year, the Budget is increased by an amount sufficient to cover the unliquidated encumbrances and these encumbrances are reinstated. Unliquidated appropriations represent amounts appropriated for liquidation of encumbrances and for other commitments not liquidated by year-end and carried forward to the succeeding year's budget. Any remaining balance constitutes an unappropriated surplus. In accordance with a City ordinance, one-half of any unappropriated surplus is transferred to a Budget Stabilization Fund with the balance being available for other appropriations in the following fiscal year. Any unappropriated deficit is funded in the succeeding fiscal year.

The Budget reflects half of this General Fund balance as a prior year surplus (revenue in the Non-Departmental budget) or deficit (appropriation in the Non-Departmental budget). All other Funds do not include a Prior Year Fund Balance.

**Budget Stabilization Fund** - In 1978, the State Legislature authorized municipalities to establish budget stabilization funds for the purpose of providing a method to stabilize financial operations, especially during cyclical economic periods. In 1979, the City, by ordinance, established the Budget Stabilization Fund to cover General Fund deficits, to restore reduction in the number of employees and to cover expenses arising because of a natural disaster. One-half of the General Fund surplus is to be appropriated to this fund in the fiscal year following the year

## OVERVIEW

that a surplus is experienced, up to the lesser of either 15% of the City's most recent General Fund budget or 15% of the average of the City's five most recent General Fund Budgets. As of June 30, 2004, the Budget Stabilization Fund had a balance of \$0.

This fund is not reflected in the Budget.

### **GASB 34 Activities**

Government Accounting Standards Board Statement #34 establishes new requirements for the annual financial reports of state and local governments. The City has taken steps to improve the descriptiveness and usefulness of its base financial information, and prepared the June 30, 2004 CAFR using the new financial reporting requirements as prescribed by GASB statement 34.

### **BUDGET PROCESS AND CONTENT**

The general content and the process of developing the City's annual budget are prescribed by the City Charter. The City's annual budget constitutes a financial plan for the next fiscal year, which is required to set forth estimated revenues from all sources and all appropriations. Proposed capital appropriations are included. The City estimates a prior year surplus or deficit for the General Fund, which reflects the ending financial position for the prior year (the "fund balance"). Any deficit during the preceding year is entered into the budget for the next fiscal year as an appropriation in accordance with the City Charter. One-half of any surplus is credited to the Budget Stabilization Fund with the remainder being included as a revenue in the following year. The total of proposed expenditures cannot exceed the total of estimated revenues so that the budget as submitted is "balanced".

### **Budget Development Calendar**

The City Charter, since its 1997 revision,

requires before November 1 of each year and prior to submitting a proposed annual budget (by December 8), that the departments of Police, Fire, Public Works, Water and Sewerage, Recreation, Health and Wellness Promotion, and Public Lighting conduct a public meeting to review programs, services and activities to be included in the budget and to receive public comment. A general summary of these departments' programs, services and activities funded in the current fiscal year, along with the date, time and place of the meeting, must be published in a daily newspaper of general circulation at least ten days before the meeting.

Budget staff organizes the meetings every October with different community partners as hosts (for all departments except Water and Sewerage, which holds its own public meetings). Budget staff also meets with high school classes, and administers an annual *Survey of Citizen City Service Priorities* from September 1–November 1. The survey is distributed to block clubs and community organizations and throughout City facilities, and can be completed on the City's website.

[See the "Community Profile" in the Appendix for findings from this process.]

The initial budget, which includes all department estimates of revenues and expenditures required for the fiscal year beginning July 1, is submitted to the Mayor by the Budget Department on or before the preceding February 22. The Mayor may revise the budget prior to submitting it to the City Council on or before April 12, the date established by City ordinance.

Prior to approval of the budget, the Auditor General prepares an analysis of the proposed budget, and City Council holds hearings with various agency heads and a public hearing.

## **OVERVIEW**

The City Council may amend the budget as presented by the Mayor, on or before May 24. Any Mayoral veto of City Council amendments may be overridden by a two-thirds vote of the City Council members. The City Council's reconsideration of the budget must be completed within the longer 3 calendar days or 2 business days following the maximum return date of the budget by the Mayor and any Mayoral veto.

### **Budget Adoption**

The adoption of the budget provides for: 1) appropriations of specified amounts from funds indicated, 2) a specified levy of the property tax, and 3) provision for the issuance of bonds specified in the capital program. The budget document as adopted becomes the basis for establishing revenues and expenditures for the fiscal year following the fiscal year of passage.

**Appropriations** - The Charter requires that appropriations be made in lump sums to the agencies for specific programs, services or activities or to additional classifications as the Mayor may recommend. Within an appropriation, the Mayor is given the responsibility of allocating financial resources to labor, equipment, supplies and

materials in a manner which appears most suitable and economical in a given situation. However, the accounts of each agency are maintained in such detail as required by generally accepted standards of financial reporting.

### **Budget Revisions**

The appropriation for every function of each City department is a fixed expenditure and may not exceed the original appropriated level without City Council approval. If during the fiscal year the Mayor advises the City Council that there are revenues available for appropriation in excess of those estimated in the budget, the City Council may make supplemental appropriations for the year up to the amount of the excess. In the case of revenue shortfalls, the Mayor may request that the City Council decrease certain appropriations. The Mayor is under no obligation to spend an entire appropriation. Also, at any time during the fiscal year, the City Council, upon written request by the Mayor, may transfer all or part of any unencumbered appropriation balance among programs, services or activities within an agency or from one agency to another.

## OVERVIEW

### BUDGET CALENDAR FOR FISCAL YEAR 2006-2007

The <i>VARIOUS OFFICERS, DEPARTMENTS, COMMISSIONS</i> AND BOARDS shall complete their estimates of requirements for each activity during the ensuing fiscal year. . . . .	On or before Thursday, December 8, 2005
The <i>BUDGET DIRECTOR</i> shall make up and transmit to the Mayor a tabulation of such estimates . . . . .	On or before Monday, February 20, 2006
The <i>MAYOR</i> shall consider the budget and may revise or alter same, to be completed and returned by him to the Budget Director for tabulation . . . . .	On or before Tuesday, March 28, 2006
The <i>BUDGET DIRECTOR</i> shall retabulate the revision and the <i>MAYOR</i> shall transmit the revised budget to the City Council. . . . .	On or before Wednesday, April 12, 2006
The <i>CITY COUNCIL</i> shall consider the budget transmitted by the Mayor and may revise, alter, increase or decrease, to be completed. . . . .	On or before *Wednesday, May 24, 2006
The <i>CITY CLERK</i> shall retabulate the budget as revised by the Council and transmit it to the Mayor for his approval or rejection. . . . .	On or before Tuesday, May 30, 2006
The <i>MAYOR</i> shall return the budget to the City Council with his approval, or if he shall disapprove the whole or any items therein, with a statement of his reasons therefore. . . . .	On or before Friday, June 2, 2006
The <i>CITY COUNCIL</i> shall act upon any item or items that shall have been disapproved by the Mayor. . . . .	On or before *Monday, June 6, 2006
After the <i>MAYOR</i> shall have approved the budget, or the <i>CITY COUNCIL</i> shall have acted upon any part or item thereof which shall have been disapproved, the <i>FINANCE DIRECTOR</i> shall make an itemized statement of the amount to be raised by taxation, and a similar statement for the issue of bonds. . . . .	On or before *Tuesday, June 13, 2006
Begin City operations under the new control of the 2006-07 Budget	Saturday, July 1, 2006

\*Calendar dates that require scheduling of a formal session of CITY COUNCIL.



## OVERVIEW

### Fiscal Year 2006-07 Budget Goals and Budget Guidelines

The 2006-07 Recommended Budget is based upon realistic and expenditure assumptions. When the Budget process began, a major budget gap had to be addressed due to additional costs and revenue shortfalls. Examples include:

- ❖ Continuing decline in income tax collections.
- ❖ Decreasing State Revenue Sharing funds.
- ❖ Increased pension costs and hospitalization costs.

To deal with this situation, constraints were imposed on departments, including:

- ❖ Departmental requests for 2006-07 must not exceed the amended 2005-06 "Net Tax Total". Essentially, covering inflation by reducing operations and increasing efficiencies. Departments that typically receive subsidies from the General Fund were to have a reduction in that amount.
- ❖ No 2006-07 requests should increase the number of positions over the number approved for 2005-06 nor request any positions that were eliminated during the fiscal year of 2005-06.
- ❖ Limited requests for travel and training.

Departments were given a number of standardized assumptions for use in preparing their requests, such as:

- ❖ Utility costs same as in the 2005-06 budget, except for water (1.05%) and sewerage (106.2%)
- ❖ Supply costs to reflect a general 2% inflation rate, unless other specific information was available.
- ❖ High priority on new and increased revenues, particularly fees and user charges. Special emphasis was given to reviewing few schedules to insure that

fees and charges for service reflect the value of the service and the City cost of providing the service.

- ❖ Salary and Wages based on current negotiated rates listed in Labor Relations' Gold Book, and special pay rate requests per separate considerations by Labor Relations.
- ❖ Fringe and pension costs per a schedule.
- ❖ Automotive Equipment per a prescribed replacement schedule, requested in a five-year horizon through the Vehicle Management Steering Committee unless grant or enterprise funded.
- ❖ Departments were instructed to prepare a Risk Management Assessments.
- ❖ Coleman A. Young Municipal Center rental rate.
- ❖ Technology costs per a schedule.

The budget was prepared using the BRASS software. The Budget Department held a series of training workshops in September and October 2005 for each department to electronically submit their budget requests. The Budget Department also held the annual Budget Request Seminar for departments on October 12, 2005 to explain the budget development process and to provide special technical assistance to Departments.

### Recommended 2006-2007 Budget Items

The following are major items and programs included in the 2006-2007 Mayor's Recommended Budget.

### INFRASTRUCTURE

- ❖ **Airport-** \$5 million for continued Minitake Land Acquisition.
- ❖ **Arts** - \$150,000 in bonds and \$142,000 in capital reinvestment for the North Wing Remediation.
- ❖ **C.H. Wright Museum of African American History** - \$1 million to

## OVERVIEW

construct a Black Inventor's Gallery.

- ❖ **Fire** - \$1.9 million for the Training Facility.
- ❖ **Health** - \$1 million for repairs at Herman Keifer-Administrative Building.
- ❖ **Historical** - \$500,000 to upgrade the Main Museum's security and audio-visual systems and the replacement of windows.
- ❖ **Zoo** - \$5,000,000 for facility improvements.
- ❖ **Police** - \$2 million for the Forensic Laboratory and \$3 million for the Districts, Headquarters and other facilities.
- ❖ **Public Lighting** - \$12.9 million to include the implementation of a Volt Ampere Reactive (VAR) Power Capacity and Management equipment; Street Lighting Modernizations, Distribution Systems Improvement, Electric Service Extensions, Substation Transformer Replacement and Mistersky Unit No. 7 Control System and Overhaul.
- ❖ **Recreation** - \$7.5 million for Park Development Workforce, Parks and Landscapes, Belle Park Development and Recreation Facilities Improvements.

### FISCAL RESPONSIBILITY ITEMS

- ❖ **10% Salary Reduction** – for union personnel; union employees will have 26 days off without pay. Saving \$11 million.
- ❖ **POCS** – The recommendation assumes refinancing of Pension Obligated Certificates due to amortization change. This will save \$20 million.
- ❖ **Healthcare** – The recommendation includes Healthcare savings of \$58 million through plan design and contribution changes, reduction in administrative fees and rates.
- ❖ **Reduction of 787 positions** – The

majority of these reductions occurred during the fiscal year. The recommended budget includes an additional 77 layoffs July 1<sup>st</sup>.

- ❖ **Internal Service Fund** for vehicle fleet replacement. Program includes \$20 million for vehicles through-out departments.
- ❖ **Demolition Program** - \$7 million in block grant funds recommended for the Demolition Program, down from \$8 million in 2005-06.
- ❖ **Historical** – an operational subsidy of \$500,000 to the Historical Society for Main Museum and the Dossin Museum. Historic Fort Wayne operations have been transferred to the General Services Department.
- ❖ **Zoo** – Subsidy of \$900,000 per the operating agreement with the Zoological Society for insurance and security costs.
- ❖ **C.H. Wright Museum of African American History** - \$1.4 million for operating support. An increase of \$400,000 over the current budget total of \$1.0 million.
- ❖ **Finance** – A total of six (6) positions were added to Finance Treasury- to implement the solid waste fee and to further enhance revenue collections. Income Tax Division will aggressively investigate outstanding income taxes owed to the city.
- ❖ **Environmental Inspectors** were transferred from Health and DPW to the Department of Environmental Affairs (DEA). This change will allow DEA to be more efficient in monitoring areas for violations.
- ❖ **Public Lighting** – Department structure changed to better reflect function costs. PLD will implement the VAR program saving a net of \$8 million through

## OVERVIEW

reduced fuel costs.

- ❖ **Transportation Operations subsidy** – decreased from \$83.4 million to \$76.3 million, a reduction of \$7.1 million. The recommendation includes \$2.7 million for a .75 cents fare for disabled riders.

### MAYORAL INITIATIVES

- ❖ **Solid Waste Fee** (\$67.2 million) – The recommendation includes implementation of a fee for solid waste pickup. Currently, homeowners pay 3 mills to offset refuse costs. Homeowners will pay \$300 annually and commercial customers a fee based on service provided. This will generate \$67.2 million, an additional \$40 million from the millage. A hardship provision and senior discount program is included.
- ❖ **Establishment of a General Services Department** – A total of 629 positions were transferred from Agencies such as: DPW, Recreation, Public Lighting, Health, Civic Center and Elections to create this department. This department includes the consolidation of fleet management, skilled trades with the exception of the Apprentice Program, security, building and grounds maintenance including vacant lots and inventory management. This consolidation will save \$4.5 million through coordinated purchasing and consolidated efforts.
- ❖ **GDRRA** – The tipping fee of \$85.5 million reflects an increase of \$5.2 million. The recommendation includes \$2.8 million toward reducing a prior year deficit.
- ❖ **Airport** - No subsidy. The department will continue to pursue a Management Company/Fixed-Based Operator.
- ❖ **Senior Citizens Department** – Functions were transferred to the Recreation

Department to augment senior activities with the support of Recreation staff at several Recreation Centers.

- ❖ 311 Call Center was transferred from DPW to Non-Departmental as well as, the Citizen Patrol, which was transferred from the City Clerk's Office. These are citywide programs being supervised by the Mayor's office.
- ❖ **Transfer of Consumer Affairs functions** – proposed for the 4<sup>th</sup> consecutive year: Consumer Advocacy with Senior Citizens Advocacy, which has been transferred to the Recreation Department. Licenses and Permits to Buildings and Safety Engineering; Weights and Measures regulation to the Police Department Vehicle Management Division.
- ❖ **Recreation** – The recommended budget includes partnership of two (2) Recreation Centers - Tindal and Brewer. A new Heilman Recreation Center is currently under construction, the old one will close due to physical condition. Funding for the Summer Day Camp and Outdoor Pools is included.
- ❖ **Human Services** - A net reduction of \$13.8 million in federal grant appropriations. Head Start decreased by \$7.3 million. A total of \$47.4 million is anticipated. Supportive Housing grant decreased by \$4.7 million. Other grant reductions total \$1.2 million.
- ❖ **Detroit Workforce Development Department** – Recommendation includes a net reduction of \$3.7 million in grant programs over the 2005-06 budget to \$55.3 million, based upon the state and federal governments allocation.
- ❖ **The Community Development Block Grant** – Recommendation of \$43.7 million, a net decrease of \$3.6 million or

over the 2005-06 budget, to \$47.4 million of which \$9.7 million is for public service.

## **LONG-TERM OPERATIONAL POLICY OF THE CITY**

In the last decade, the City began a shift to results-oriented program management, characterized by city service planning efforts, and use of various techniques of study.

### **Operational Planning Process**

In November 2005, the Mayor brought together individuals from Detroit's civic, government, non-profit and faith-based communities to form the **Next Detroit** Transformation Team, charged with developing plans for a sustainable and growth-oriented City. The core mission of the Team focused on restructuring or reorganizing City service delivery, and growing the City's economic base and revenue stream.

The Team produced recommendations in the following areas: finance, taxes, reorganization and consolidation, public safety, communications, health and human services, regional transportation, insurance, education, economic development and emerging industries.

The Team stressed that finding new ways to deliver effective services to our citizens, maintaining Detroit's population, attracting new investments and new residents were all integral to the transformation to the Next Detroit. To do this means a long-term commitment to structural balance of the city finances, by comprehensively evaluating the costs of service delivery and finding further ways of delivering effective services. The 2006-07 budget looks beyond short-term cuts and layoffs to a long-term commitment to

## **OVERVIEW**

lowering costs and improving services.

The Reorganization and Consolidation Subcommittee, which dealt with municipal restructuring, offered considerations for evaluating restructuring proposals:

- Providing improved service quality and reliability
- Saving or creating employment opportunities
- Increasing support for Detroit-headquartered, Detroit-based, women- and minority-owned and small businesses
- Maintaining or enhancing the City's tax base
- Lowering the cost of services to Detroiters

The Project Implementation team will filter the discussions using two questions:

1. Which are the core services that City government should provide?
2. Should the City continue to provide the services directly, or would they be better if provided by others? Does it cost more for the City to provide the service than someone else and are Detroiters doing the work?

Thus, the **Next Detroit** guiding principles for the Kilpatrick Administration are:

- How do we provide the best service to our citizens?
- Does it cost the City more to provide this service than it would cost someone else to do it for us?
- Will the jobs be Union jobs?
- Are Detroiters doing the work?

### **Planning Concepts and Techniques Used**

City officials have integrated operational planning concepts and techniques into agency and citywide decision making

## OVERVIEW

processes. These include: goal-setting and performance measurement, benchmarking, business process improvement, survey and opinion gathering and organizational realignment.

**Goals and performance measures.** A citywide vision, mission and cornerstone goals were stated under the Goal-Based Governance Initiative in 1995, to direct agency-level operational goal and objective setting. Agency operating goals are linked to citywide functions, as expressed in eight (8) program categories or functions.

Performance indicators were attached to major measurable service components for tracking. The resulting plans were updated as part of the CitiTrak system of performance management rolled out in January 2003 for major field operations.

In 2004, these measures were sorted by type in every department, in the interests of developing more complete performance management tools. The types of performance measures are:

- ◆ Inputs – resources allocated or service demands made of a program
- ◆ Outputs – units of activity directed toward program goals
- ◆ Outcomes – results or impacts of program activities
- ◆ Efficiencies – program costs related to units of activity

The Executive Budget presents these performance measures along with narrative descriptions of agency activities, initiatives and plans. The “Planning for the Future” section for each agency describes its 3 - 5 year outlook. This section, developed under the strategic directions initiative in 1999,

anticipates changes in agency operating environments.

**Benchmarking.** In 1999, city services were benchmarked in a Detroit Renaissance assessment, which identified major areas of opportunity in eleven agencies, as well as activities currently performed well by the City.

**Business process improvement.** In 1995, the City used a “Continuous Improvement Process” to optimize resources in departments.

In 1999, Labor-Management Quality Teams in six departments studied core processes. Labor-Management Quality Teams convened employees from all levels: Finance (purchasing and accounts payable), Fire (emergency medical service response time), Transportation (coach maintenance), Recreation (park maintenance), Buildings and Safety Engineering (code enforcement procedures and residential permitting) and the Detroit Zoological Institute.

In 2005, the Budget Department began a reengineering initiative in DPW and the Fire Departments. This study focuses on process mapping as a basis for analyzing tasks, assignments, and overall redundancies. Some recommendations are part of the 2006-07 recommended budget.

**Survey and opinion gathering.** In January 2005, the Mayor convened the Detroit Economic Forum at Wayne State University. Nationally recognized economists and policy experts engaged in discussion with local officials and leaders, focusing on the City’s historic, current and projected fiscal situation and how other major cities in the country are addressing fiscal challenges. A report of findings and policy options resulted.

## OVERVIEW

In February 2005, the City convened additional meetings to explain the City's fiscal crisis to the public.

Citizen input is also factored into operational planning. Since 1997, the City has administered a *Survey of Citizen City Service Priorities* in conjunction with the annual public budget meetings. The findings advise the proposals of major General Fund departments and are available every Fall on the City of Detroit website. [See "Community Profile" in the Appendix.]

**Organizational realignment.** In 2002, Mayor Kilpatrick convened the Committee on Operational and Financial Re-engineering, a broad-based group charged with reducing costs, eliminating redundant processes, and

streamlining city operations. This group made several recommendations that were implemented in 2003-04.

Ongoing Budget Department research has yielded a number of reorganization proposals dealing with such things as code enforcement staffing, consumer affairs and elimination of the Communications Department.

### **City of Detroit Vision Statement**

Because of the continued commitment to "Kids, Cops and Clean," Detroit is a vibrant, clean city where families have access to new opportunities, technological innovation, and dwell within safe, strong and smart communities. The core values of City government are: courage, integrity and accountability.

**OPERATIONAL POLICY AND GOALS:**

**Current City functions will continue to determine agency operating goals in FY 2006-07.**

<b>1. PROTECT INDIVIDUALS AND PROPERTY IN DETROIT</b>
PREVENT AND CONTROL CRIME through Police Department precinct operations, specialized investigative and narcotics services, and the science and technology bureau
ENFORCE TRAFFIC LAWS AND ORDINANCES The Business License Center provides consumer safety protections through regulation The Weights and Measures operation enforces truck safety The 36 <sup>th</sup> District Court handles small claims, misdemeanor crimes and preliminary felony exams in Detroit
PREVENT AND CONTROL FIRE through response to fire calls, and public education and investigation
PREPARE FOR WIDE-SCALE, HAZARDOUS COMMUNITY EMERGENCIES The Fire Department operates ambulance services and emergency management response capability The Office of Homeland Security coordinates resources around securing Detroit's borders and Municipal facilities
<b>2. MAINTAIN AND IMPROVE THE HEALTH OF DETROITERS</b>
DELIVER PREVENTIVE HEALTH SERVICES Health programs include nutrition; prenatal care; vision, hearing and lead testing; and substance abuse coordination The Human Service Department's Head Start, Early Head Start and youth programs are preventive by design
DELIVER SERVICES THAT SUPPORT FAMILY AND NEIGHBORHOOD WELL-BEING 4 family Health Centers and inspection and licensing of pools, and environmental health hazards Human Services programs include weatherization, energy aid, drug treatment, homeless and other emergency needs
SUPPORT THE HEALTH CARE SYSTEM with Health Department leadership and clinical technical services
<b>3. PROVIDE RECREATIONAL AND CULTURAL OPPORTUNITIES IN DETROIT</b>
PROVIDE RECREATIONAL FACILITIES AND ACTIVITIES THROUGHOUT DETROIT Recreation Centers, programs and other special events are available throughout Detroit.
PROMOTE CULTURAL EVENTS AND FACILITIES IN DETROIT The City owns the Detroit Institute of Arts and subsidizes its capital improvements. The Recreation Department manages Eastern Market The Detroit Historical Museum, Dossin Museum, and Fort Wayne are owned and subsidized by the City The City subsidizes the Zoological Institute which operates the main Zoo and the Belle Isle Nature Zoo
CONTRIBUTE TO THE EDUCATION OF DETROITERS The Detroit Public Library operates a branch library system and special central collections
<b>4. DEVELOP ECONOMIC CAPACITY IN DETROIT</b>
SUPPORT AN ATTRACTIVE CIVIC CENTER through the operation of the Cobo Hall and related facilities
PROVIDE INDUSTRIAL AND COMMERCIAL ASSISTANCE The Detroit Building Authority (DBA) oversees capital improvements for city facilities The Planning and Development Department works with developers and offers targeted infrastructure support
PROVIDE JOB OPPORTUNITIES FOR DETROITERS The Human Rights Department monitors discriminatory barriers to employment and entrepreneurial development
PROVIDE PROFESSIONAL ENRICHMENT OPPORTUNITIES FOR DETROITERS The Detroit Workforce Development Department administers targeted federal job training programs
<b>5. FACILITATE TRANSPORTATION IN DETROIT</b>
MAINTAIN PASSABILITY OF STREETS through design, street improvements, and snow and ice removal
OFFER MASS TRANSIT through the Department of Transportation bus system and services to special populations
AN AIR TRANSPORTATION OPTION is available at Detroit City Airport without subsidy
MAINTAIN AND MONITOR PARKING FACILITIES through the Municipal Parking Department

## OVERVIEW

<b>6. PROTECT THE SUPPLY AND CONDITIONS OF BUILDING IN DETROIT</b>
ENFORCE BUILDING AND SAFETY CODES through the inspection activities of Buildings & Safety Engineering
REDEVELOP COMMUNITIES through Planning & Development's Neighborhood Development Division
<b>7. IMPROVE THE PHYSICAL ENVIRONMENT OF DETROIT</b>
HANDLE SOLID WASTE EFFECTIVELY Solid Waste collection occurs through refuse collection operations The Greater Detroit Resource Recovery Authority operates the incinerator with the City as its largest customer
REGULATE THE ENVIRONMENTAL ASPECTS OF LAND USE The Environmental Affairs Department enforces environmental compliance and promotes brownfield cleanup The Department of Administrative Hearings will adjudicate blight violations The Zoning Appeals Board rules on citizen appeals of land use determinations
OFFER STREET LIGHTING through the Public Lighting Department
BEAUTIFY COMMUNITIES Department of Public Works Street Cleaning program maintains the appearance of all city streets The Office of Neighborhood Commercial Redevelopment works with communities according to larger city plans
ENVIRONMENTAL PROTECTION General Services Department staff clean up vacant lots through grass cutting and debris removal
PROVIDE HEALTHY WATER SUPPLY AND SEWAGE DISPOSAL through the Water & Sewerage Department
DEMOLISH DANGEROUS BUILDINGS through the Demolition Division of Buildings & Safety Engineering
<b>8. CONTINUOUSLY IMPROVE MANAGEMENT OF PUBLIC SERVICES</b>
PROVIDE EXECUTIVE LEADERSHIP TO CITY AGENCIES The Human Resources Department recruits, selects, develops and guides the management of personnel The Law Department is the Corporation Counsel for all municipal affairs The Mayor's Executive Office directs administration, operations, development, and fiscal affairs Planning and Development Department prepares the City's Master Plan
MANAGE THE INFRASTRUCTURE OF CITY AGENCIES The General Services Department manages and maintains municipal buildings and grounds, major stores and vehicles Information Technology Services Department supports all personal, network and specialized technology needs
MONITOR FIDUCIARY TRANSACTIONS EFFECTIVELY The Budget Department plans and monitors programs and projects in the annual operating and capital budgets The Finance Department, including Bond Interest and Redemption, processes payments, makes cash available, and accounts for City transactions The Auditor General monitors the internal controls of agencies and of city fiscal management systems
OFFER COMMUNITY EXTENSION SERVICES Consumer Advocacy includes complaint mediation and public education about business practices Six Mayor's Neighborhood City Halls throughout the city, offer a variety of city services and information The Recreation Department advocates for seniors and youth The Detroit City Council is supported by the City Plan Commission, an advisory planning organization The City Ombudsperson investigates citizens complaints with city services
DEVELOP AND REPRESENT PUBLIC POLICY The City has a Legislative Liaison to the State of Michigan executive and legislature The Board of Ethics recommends improvements in employee or agency standards of conduct The Detroit City Council is charged with the Legislative function of the City The Detroit City Clerk keeps the official record for city affairs The Elections Commission conducts local elections in accordance with State law
MAKE TARGETED CONTRIBUTIONS AND SUBSIDIES for important public services



## OVERVIEW

### LONG-TERM FINANCIAL POLICY OF THE CITY

These goals serve as guiding principles for fiscal policy decisions:

- ❖ Maintain balanced operations.
  - Expenditures will not exceed anticipated revenues.
  - Significant costs for major projects or initiatives will be addressed without affecting the General Fund.
  - Operating expenditures will be programmed to include the cost of implementing service of the capital improvements, and future revenues necessary for these expenditures will be estimated and provided for prior to undertaking the capital improvement.
  - Detail studies of City costs associated with fee-based services to insure that service fees cover the related cost.
  - Operating expenditures will be programmed to include current costs of fully maintaining City facilities and equipment. A cost benefit analysis will be performed on replacement cost versus projected required maintenance costs to determine the level at which City facilities should be maintained. The analysis will also determine the long-term costs of any potential deferred maintenance costs. Normal maintenance will be funded through the operating budget.
- ❖ Rightsize City Government.
  - Use management tools such as reorganization, reengineering, benchmarking and shared services to fit the costs of doing business to available revenues.
  - Convene key stakeholders to collaborate on ideas and establish partnerships for change.
- Implement a new vision for Executive Branch Administration.
- ❖ Build Financial Reserves.
  - Gradual build up of funds in the Budget Stabilization Fund.
  - Maintain adequate reserves in the Insurance Reserve Fund.
  - Eliminate unfunded liabilities of the Pension Fund.
- ❖ Provide Tax Relief while maintaining essential services.
  - Continue to explore permanent funding sources especially in the areas of the Cultural Arts and Public Transportation.
  - Continue to explore a regional dedicated tax and/or merger with regional entities to ensure the existence of quality services at equitable costs.
  - Explore property tax rollbacks for neighborhoods currently paying the highest amounts.
- ❖ Maximize Revenue collections.
  - Generate additional revenues and receive new grant or foundation funding, to increase services.
  - Aggressively collect delinquent revenue owed to the City. New procedures are being developed to actively pursue the collection of all revenues and maintain an acceptable collection rate.
- ❖ Provide Stewardship of Grants and Trusts
  - Manage grants to comply with the laws, regulations and guidance of the grantor, and all gifts and donations

## OVERVIEW

will be managed and expended according to the wishes and instructions of the donor.

- Prior to the acceptance of proposed gifts and donations and governmental grants, a fiscal review will be conducted. The review should consider matching requirements, impacts on both revenues and expenditures for the next five years, whether the objectives of the gifts, donations or grants meet the strategic goals of the City, and any potential impact of loss of funds.
  - Maximize revenue from State and Federal Governments. The new Grants Acquisition Unit until will help the City focus in this area.
- ❖ Financial Reporting.
- Continue to improve the DRMS financial reporting system.
  - Financial reporting will monitor expenditures, revenue and performance of all municipal problems on an ongoing basis.
- ❖ Enterprise Fund self-sufficiency.
- Develop strategies so that all Enterprise Fund departments will generate sufficient revenues to cover the cost of their operations.
- ❖ Operate Resource Recovery and Public Lighting utility at efficient capacity.
- Increase the efficiency of the Resource Recovery facility through the marketing of excess capacity to outside entities.
  - Improve reliability and safety at the lowest possible cost.
  - Continue the upgrading of residential

and main street lighting.

- Attain compliance with all applicable, Federal, State and local environmental and safety requirements.
- ❖ Maintain internal five year model.
- These internal models enable the Budget Department to assess changing conditions and plan for operational adjustment.

**Debt Management Plan** - The City of Detroit has established the following debt management plan guidelines pertaining to the issuance and administration of debt:

- *Management Goals* - To establish practices which will enable the City to borrow funds to maintain and enhance the City's physical infrastructure, while minimizing the cost to taxpayers, ratepayers and users of publicly financed projects.
- *Purpose of Debt* - To issue debt only for capital purposes, and not to finance current operations or working capital.
- *Compliance with Laws* - To follow all applicable Charter, State and Federal laws and regulations, including those regulations governing the amount and purpose for which debt may be issued and all federal regulations relating to the maintenance of the tax exempt status of bonds. Debt issuance shall be subject to all of the regular approvals and authorizations required under federal, state and local laws.
- *Investor/Rating Agency/Credit Provider Relations* - To provide timely, accurate and pertinent information to interested investors, rating agencies, and credit providers. The City will follow the

## OVERVIEW

disclosure guidelines approved by the Government Finance Officers Association to the greatest extent possible in disseminating information and will adhere to the City's Continuing Disclosure Undertaking commitments.

- *Security/Repayment Characteristics* – Revenue debt which is totally self-supporting, should be issued to the greatest extent possible. Voter-approved, unlimited tax bonds or bonds which are expected to be paid from non-general fund sources are generally the preferred options to finance capital projects which are not or which may not be self-supporting. Limited tax obligations which are payable only from current general fund tax dollars will be considered only if other options are not available.
- *Credit Support* – External credit support should be obtained when it is determined that use of such support produces present value savings; however, the importance of maintaining market access for and name recognition of the underlying credit will be considered in evaluating the benefit of credit support.
- *Repayment Terms* - To repay bonds in a period not exceeding the average life of the project, generally not exceeding 25 years for general obligation bonds and 30 years for revenue bonds. Except to achieve overall level debt service with existing bonds, the City will avoid issuing debt which provides for balloon principal payments in the final year(s) of maturity. The City will use level or declining total debt service structures (which may take into account previously issued debt), except when an increasing debt payment structure fits an overall

strategy of a project. In addition, during the period of construction, the City may choose to pay interest only or may capitalize interest, if appropriate.

- *Debt Levels* - To reduce general debt ratios to levels consistent with the average of cities of similar size and responsibilities. The goal of issuing debt without increasing the property tax burden will be factored into planning the sizing and scheduling of general obligation, unlimited tax bond issues.
- *Debt Instruments* - To issue debt with fixed rates and terms, except that variable rate debt may be issued if the total amount of true variable rate debt does not exceed 20% of the aggregate amount of debt payable from a particular source. Variable rate debt will be counted as fixed rate debt if it is synthetically converted to a fixed rate obligation through the use of an interest rate exchange or similar agreement, or if the period of interest rate exposure does not exceed 2 years. Debt instruments utilizing imbedded swaps or having other less traditional characteristics may be issued, provided the City is not unduly exposed to third party risk and that utilization of such an instrument does not precipitate an adverse rating agency reaction.
- *Short Term Debt/Leasing* - To minimize the need for short term debt by incorporating a goal of avoiding such debt in financial and cash flow planning. Leasing or lease purchase financing may be considered on a case-by-case basis for equipment and special projects, taking into account the expected life of the equipment and/or the nature of the project.

## OVERVIEW

- *Investment of Bond Proceeds and Debt Service Funds* - To invest funds in accordance with State law, bond indenture provisions and the City's written investment policy. All funds are invested with risk avoidance being of the highest priority, but taking into account cash needs and the potential for maximizing yields. Generally, the City's investment policy restricts the maximum

term of investments in bond proceeds accounts to 3 years, in debt service accounts to the date such funds are required and in debt reserve accounts to 5 years.

- *Review of Management* - To review the debt management plan at least once every 2 years, and to include the formal debt policy as a part of or an annex to the City's Five Year Capital Agenda.

## **OVERVIEW**